

RECOMMENDED BUDGET, TEN-YEAR RESOURCE ALLOCATION PLAN, AND 20-YEAR FINANCIAL PLAN

VOLUME IV – Recommended Reductions

Introduction

This volume contains six documents. They are:

- The recommended budget reductions. This describes the recommended reductions by fund and by department. Reductions to personnel work hours and purchased goods and services are shown annually for the full 20-Year Long-Term Financial Plan.
- City Manager's 6-Point Plan in Response to the City's Fiscal and Budget Crisis Report (w/attachments). This report describes the causes of the City's budget crisis, and outlines the six budget strategies that will be used to resolve it.
- Recommended Revisions to the 10-Year Capital Projects Plan Report (w/attachments). This report describes the City's projects planning process, criteria the City Manager used to consider changes, and the recommended revisions to the FY 2003/2004 10-Year Projects Plan.
- Rental Rates and In-Lieu Fees/Inter-Fund Transfers Report (w/attachments). This report describes the processes that are used to allocate General Fund costs to other City funds, the processes used to move resources from one fund to another, and revisions to rental rates and in-lieu fees/inter-fund transfers that will be incorporated into the recommended FY 2003/2004 budget, the Ten-Year Resource Allocation Plan, and the Long-Term Financial Plan.
- Potential Fee, Charge, and Tax Increases Report (w/attachments). This report discusses the different fees, charges, and local taxes that generate the revenues needed to provide City services, and describes options for increasing existing or establishing new fees, charges, and local taxes.
- Recommended Reductions to City Services and Levels of Service Report (w/attachments). This report provides an update on the current status of City revenues and expenses, and describes the recommended reductions to General Fund programs and other fund programs by department.

The documents provide the detailed information on various points in the 6-Point Action Plan to resolve the City's budget crisis. These documents have been presented to the City Council at various regular and special meetings.

Budget Reduction Process

A full-scale budget crisis emerged during the last quarter of calendar 2001. This crisis was triggered by a near depression of the local economy, resulting in continued declines in City revenues. In addition, personnel costs for base wages and retirement programs increased at rates higher than projected. Finally, the State's \$35 billion problem resulted in potential drastic reductions to state-provided revenues. To respond to the budget crisis, staff prepared a 6-Point Action Plan. This action plan was presented and discussed with Council at the Future Fiscal Issues workshop in January 2003.

The 6-Point Action Plan addressed these topics:

- Point 1: Current Capital Projects Plan
- Point 2: Rental Rate Schedules and Formulas
- Point 3: Job Recruitment and Vacancies Review
- Point 4: In-Lieu Fees and Inter-Fund Transfers
- Point 5: Tax and Fee Increases
- Point 6: Reductions to Services, Levels of Service, and Staffing.

Through this effort, staff throughout the organization identified potential ways to reduce the size of city government in Sunnyvale. This resulted in recommendations that are designed to reduce the "basket of services" that are provided, to reset service levels for those remaining City services, and to reshape and reduce the size of the workforce. The 6-Point Action Plan also examined the fees, charges, and local taxes that produce the revenues needed to provide City services. The 6-Point Action Plan resulted in a series of reports and recommendations to establish a revised set of City services that are provided by a sustainable workforce for the foreseeable future. Beginning in January, these reports have been presented to Council. The City Council provided preliminary policy guidance, which has been incorporated into this recommended FY 2003/2004 budget, the Ten-Year Resource Allocation Plan, and the Long-Term Financial Plan.

Recommended Expense Reductions and Revenue Increases

The budget crisis has resulted in a long-term, structural gap in the General Fund. This gap is projected to be \$14-15 million annually for the next 20 years. One-time reductions will not solve this problem. The budget strategies included in the 6-Point Action Plan are designed to produce the continuing, on-going savings or revenue increases that are required to close this structural gap.

The following table of recommended expenditure reductions and revenue increases result from the examination and recommendations regarding each point in the Action Plan, and the preliminary policy direction that the City Council has provided:

<i>Estimated Savings to Reduce Ongoing Revenue to Expense Gap</i>		
	Expenditure Reductions	Revenue Increases
Capital Project Plan	\$1,800,000	
Rental Rates/In-Lieu Fees (Equipment)	\$500,000	
Department Reductions	\$8,455,059	
Rental Rates (operating expenses)	\$1,427,019	
Set Asides	\$1,250,000	
New Taxes/Revenues		\$1,426,000
GRAND TOTAL		\$14,858,078

Staff will continue to monitor the City's financial situation and recommend additional measures to be considered, as expenses and especially revenues remain very fluid.